

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF SOUTHPORT
MARION COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
01/13/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa G. Matthews Catherine Hildebrand	01-01-04 to 08-17-08 08-18-08 to 12-31-11
Mayor	Hon. Nannette F. Tunget Hon. Robin Thoman	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the City Council	Mark Harrington Gregory C. Dant	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF SOUTHPORT, MARION COUNTY, INDIANA

We have examined the financial information presented herein of the City of Southport (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 17, 2008

CITY OF SOUTHPORT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 45,773	\$ 238,673	\$ 240,835	\$ 43,611
Motor Vehicle Highway	53,481	131,571	141,904	43,148
Local Road and Street	18,396	39,177	20,000	37,573
Park and Recreation	33,311	32,733	45,672	20,372
Law Enforcement Continuing Education	630	3,421	1,619	2,432
Anniston Street Project	13,982	21,876	5,469	30,389
SEDIP	2,650	20,000	22,650	-
Fiduciary Fund:				
Payroll	1,468	51,842	53,199	111
Totals	<u>\$ 169,691</u>	<u>\$ 539,293</u>	<u>\$ 531,348</u>	<u>\$ 177,636</u>

The accompanying notes are an integral part of the financial schedule.

CITY OF SOUTHPORT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highway and streets, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF SOUTHPORT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF SOUTHPORT
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases amounts payable to vendors and other suppliers of goods and services were not being paid in a timely manner. A total of \$43.39 in late fees was paid to various vendors, including utilities from June 13, 2007, (the exit conference for the 2006 examination) to December 31, 2007. A similar comment appeared in Report B30077.

Also, penalties and interest totaling \$62.83 was paid to the Indiana Department of Revenue in July 2007.

We have requested the former Clerk-Treasurer, Teresa G. Matthews, to reimburse the City of Southport \$106.22 for late charges, penalties, and interest paid between June 13, 2007 and December 31, 2007. (See Summary, page 14)

The City of Southport Code of Ordinances § 3.12.060 CLERK-TREASURER states in part:

" . . . (F) (1) The Clerk-Treasurer, with the prior written approval of the Board having jurisdiction over the allowance of claims, as the case may be, may make claim payments in advance of board allowance for the following kinds of expenses:

(d) Utility payment or utility connection charges . . . "

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND COVERAGE

Teresa G. Matthews, former Clerk-Treasurer of the City of Southport, obtained a bond from The Ohio Casualty Insurance Company with a limit of coverage in the amount of \$25,000 for the following terms:

01-01-07 to 01-01-08
01-01-08 to 01-01-09

OFFICIAL BOND NOT FILED

The Clerk-Treasurer purchased an official bond for the year 2007. However, the bond was not filed in the Office of the County Recorder: Official bonds have not been filed with the Marion County Recorder's office since 1995. A similar comment appeared in the prior Report B30077.

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

CITY OF SOUTHPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERSONAL EXPENSES

The City paid for \$36 for employee meals that were not in travel status during 2007. A Christmas Dinner at Bynum's Steakhouse costing \$1,016 was paid by the City. Also, the City paid \$10 for a computer software game.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LACK OF SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as original receipts, invoices, and other public records. During 2007, only 10 of the 27 electronic payments had proper supporting documentation. The total amount for unsupported electronic withdrawals during 2007 was \$9,589. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

We requested the current Clerk-Treasurer, Catherine Hildebrand, to obtain copies of the missing invoices and/or statements from the credit card companies for 2007 and 2008, so that we may review them in the next examination of the City.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARD POLICY

The City officials and employees failed to follow City Resolution 2005-10 in that the credit card receipts were not attached to the credit card statements and to the claim form. No credit card statements were observed for all of 2007. The credit card receipts presented for the payments for the Chase Visa card in January and March 2007 did not agree with the amount paid. Also, it was observed that several receipts that were not for a Visa card were attached to the accounts payable voucher for a Visa credit card payment. No receipts or supporting documentation was observed for the remaining payments.

CITY OF SOUTHPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

City of Southport Resolution 2005-10 Credit Card Authorization states in part:

"Each cardholder is to give the receipt to the Clerk-Treasurer immediately after purchase so that she can affix the receipt to the claim form and the credit card statement."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

CITY OF SOUTHPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE

The amount of \$100 was due from the former Mayor, Nanette Tunget, as of December 31, 2007. The former Mayor was reimbursed twice for the same conference, once in November 2007 and again in December 2007. The amount was repaid on June 16, 2008.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSFER OF FUNDS

The amount of \$20,000 was transferred from the Local Road and Street (LRS) Fund to the General Fund and \$18,800 was transferred from various funds to the Payroll Fund without an approving ordinance or resolution. A similar comment appeared in prior Report B30077.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GIFT CARDS

Restaurant gift cards totaling \$350 were purchased by the City. No listing of who received the cards was presented for examination. Information on one accounts payable voucher indicated that \$200 was for "Gift Certificates for police officers and Southport employees."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF SOUTHPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROVAL OF CLAIMS

The City Council did not approve all disbursements for the City of Southport. Documentation observed in the minutes indicated that the City Council only approved the disbursements listed on the Accounts Payable Voucher Register (General Form 364) and Checks New to the File. Neither of the reports included any indication of approval for, or listing of expenditures, for disbursements made by electronic withdrawal.

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

RECEIPT ISSUANCE

Receipts were not always written for all monies received or were not properly prepared. Many instances were noted where the receipt did not contain all information needed to be a valid supporting document. The improperly prepared receipts did not always have a date, fund to be credited, amount of the receipt (both numeric and written), who received from and the type of money received. The classification of the receipt (cash, check, money order, EFT) was not always marked on the receipt and, in instances where more than one classification was noted, an amount was not given for each. The signature of the individual receiving the payment was not always present.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PURCHASING BONUSES

A \$25 gift card to Bass Pro Shops was received from Appletime, Inc., in conjunction with purchases made for the promotion of "National Night Out." No record of the receipt or how the gift card was spent was presented for examination.

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the governmental unit becomes the property of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF SOUTHPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit or were incorrect. The reconcilements performed are actually reconciliations of the bank activity, not a reconciliation of the bank balance to the ledger balance.

Indiana Code 5-13-6-1(e) states in part:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of officials and employees that had money due from the City of Southport was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part:

"on or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CERTIFIED REPORT NOT FILED

The City did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2007.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

CITY OF SOUTHPORT
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2008, with Teresa G. Matthews, former Clerk-Treasurer. The official concurred with our findings.

The contents of this report were discussed on December 17, 2008, with Catherine Hildebrand, Clerk-Treasurer; Hon. Robin Thoman, Mayor; Gregory C. Dant, President of the City Council; and David L. Kieser, Financial Consultant.

CITY OF SOUTHPORT
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Teresa G. Matthews, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 7	\$ 106.22	\$	\$
Paid December 16, 2008, Receipt 8475		<u>106.22</u>	<u>-</u>
Totals	<u>\$ 106.22</u>	<u>\$ 106.22</u>	<u>\$ -</u>